IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant(s): William H. Barber, et al.	Group Art No.: 3627
Serial No.: 09/903,444	Examiner: Asfand M. Sheikh
Filed: July 9, 2001	Confirmation No. 9729
For: System and Kiosk for Commerce of Optical Media through Multiple Locations	

December 18, 2008

MAIL STOP Appeal Brief – Patents
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

APPLICANT-APPELLANT'S SECOND APPEAL BRIEF

Dear Sir:

In accord with 37 C.F.R. 41.37, and fully responsive to the non-final office action of January 8, 2008 and the non-final office action of September 18, 2008, Appellants hereby file their Second Appeal Brief in support of their Appeal in the above-identified matter (hereinafter the present Application). A Notice of Appeal was originally submitted April 8, 2008, and a first Appeal Brief was timely filed June 9, 2008. Prosecution was reopened by the Examiner after the first Appeal Brief was filed, and this Second Appeal Brief is submitted concurrently with a new Notice of Appeal, both papers being filed within three months of the September 18, 2008 non-final Office Action that reopened prosecution. This Brief is thus considered timely filed under 37 C.F.R. 41.37.

Appellants have already paid the fee for the Notice of Appeal on April 8, 2008, and the fee for the Appeal Brief on June 9, 2008. The Commissioner is hereby authorized (pursuant 37 C.F.R. 41.20(b)(2)) to charge the $30.00 total increase in these fees (effective October 2, 2008) to Deposit Account No. 12-0600. No additional fees are believed due. However, if any fee is deemed necessary to make this Second Appeal Brief or the co-filed Notice of Appeal both timely and complete, please charge the aforementioned deposit account.

TABLE OF CONTENTS

REAL PARTY IN INTEREST.

The real party of interest is DVDPlay, Inc. (formerly, FreeFlyr, Inc.), a Delaware corporation, having a principal place of business at 750 University Avenue, Suite 280, Los Gatos, California, U.S.A. The full right, title, and interests in this Application are accorded to DVDPlay, Inc., as illustrated by one or more fully-executed assignments, executed on July 9, 2001, and recorded on January 21, 2005, as found at reel/frame 015589/0542.

RELATED APPEALS AND INTERFERENCES.

On February 19, 2008 and April 18, 2008, Appellants filed a Notice of Appeal and an Appeal Brief, respectively, in related U.S. Serial No. 09/578,631, which is the parent case of the present Application. Without having filed an Examiner's Answer in the parent case, the same Examiner issued a Notice of Allowance on August 8, 2008, and the parent case issued as U.S. Patent No. 7,444,296 on October 28, 2008. Some of the same issues appealed below were appealed in the parent case. No other appeals or interferences are currently known to Appellants that will directly affect, be directly affected by, or have a bearing on the decision to be rendered by the Board of Patent Appeals and Interferences in the present appeal.

STATUS OF CLAIMS.

Claims 1, 3-7, 9-21, 23-41, 63-68, and 70-71 are pending in the present Application, with claims 1 and 63 being independent. All of these claims stand rejected on one or more of eleven stated grounds.

Claims 2, 8, 22, 42-62, 69, and 72-73 were previously cancelled.

Claims 1, 3, 9, 12, 18, 24-25, 27, 29, 31, 33-36, 38-40, 63-64, 66-67, and 70 were amended during prosecution.

Claims 4-7, 10-11, 13-17, 19-21, 23, 26, 28, 30, 32, 37, 41, 65, 68, and 71 are original (without claim amendment during prosecution).

The rejections of claims 1, 3-7, 9-21, 23-41, 63-68, and 70-71 are being appealed herein.

STATUS OF AMENDMENTS.

An amendment, responsive to a non-final Office Action mailed October 6, 2004, was filed and entered January 21, 2005.

An Amendment, responsive to a non-final Office Action mailed April 26, 2005, was filed and entered June 24, 2005.

An Amendment, responsive to a Restriction Requirement mailed August 6, 2003, was filed and entered October 4, 2005.

An Amendment, responsive to a non-final Office Action mailed December 29, 2005, was filed and entered February 15, 2006.

An Amendment, responsive to a final Office Action mailed May 2, 2006, was filed June 30, 2006, but not entered on that date. The June 30, 2006 Amendment was entered July 20, 2006 with the filing of a Request for Continued Examination.

An Amendment, responsive to a non-final Office Action mailed September 27, 2006, was filed and entered November 10, 2006.

A Response without amendments, responsive to a final Office Action mailed February 9, 2007, was filed and entered March 16, 2007.

An Amendment, responsive to a final Office Action mailed May 3, 2007, was filed and entered October 31, 2007 with the filing of a Request for Continued Examination and a 37 C.F.R. 1.132 Declaration evidencing secondary considerations of nonobviousness, in the form of commercial success of the DVDPlay systems. The Rule 132 Declaration specifically detailed commercial success resulting from the features of independent claims 1 and 63.

The first Appeal Brief, responsive to a non-final Office Action mailed January 8, 2008, was filed June 9, 2008, subsequent to a Notice of Appeal filed April 8, 2008. No amendments were submitted in the first Appeal Brief, or left un-entered from a previous Amendment.

SUMMARY OF CLAIMED SUBJECT MATTER.

A. Independent Claim 1 and Dependent Claims 3-7, 9-21 and 23-*41*

Claims 1-14, 18-21, 23-42, 84, and 86 relate to a method for distributing optical recorded media (e.g., media 214, FIG. 2) to and from users.

With respect to claim 1 specifically, a method includes coupling one or more kiosks (e.g., kiosk 101, FIG. 1; kiosk 200, FIG. 2) to a central server (e.g., server 103, FIG. 1) via the Internet (e.g., Internet 104, FIG. 1), each of the kiosks containing a plurality of recorded media (e.g., disks 102, FIG. 1). Inventory of the optical recorded media of each of the kiosks is determined, at the server. (See, e.g., present Specification, p. 14, lines 7-8). Operational status of each of the kiosks is routinely obtained at the server. (See, e.g., present

Specification, p. 14, lines 13-15). A first user automatically interfaces via a touch screen (e.g., touch screen display 904, FIG. 8) at a first kiosk (e.g., kiosk 101 or 200, FIG. 1 or 2) in a first transaction for first local optical recorded media (e.g., media 214, FIG. 2). The touch screen provides a touch-selectable listing of optical recorded media, including the first local optical recorded media, contained within the first kiosk. (See, e.g., present Specification, p. 10, lines 27- 32). The first kiosk is one of the kiosks, and the first user is one of the users. Automatic communication is made between the first kiosk and the server to authorize the first transaction. (See, e.g., present Specification, p. 15, line 33 – p. 16, line 9; see also steps 502-512, FIG. 5). The first local optical media is dispensed from the first kiosk to the first user if the first transaction is approved. (See, e.g., present Specification, p. 16, lines 9-13; see also step 514, FIG. 5). Return of the first local optical media is accepted into rentable inventory of a second kiosk, the second kiosk being another one of the kiosks. (See, e.g., present Specification p. 5, lines 7-11; p. 21, lines 22-28).

With respect to claim 3, a digital image of a first code (e.g., group code 701A, FIG. 7) is captured on the first optical media and the image is scanned to determine a group identifier, the group identifier indicating which of the kiosks the first optical media may be returned to. The first optical media is accepted into rentable inventory of the second kiosk when the second kiosk is associated with the group identifier. (See present Specification, p. 21, lines 22-28).

With respect to claim 4, the image is rotated, via internal software to the first kiosk, and the first code is rescanned to determine the group identifier. (See present Specification, p. 5, lines 19-22; p. 16, lines 21-23; p. 21, lines 22-24).

With respect to claim 5, a second code is captured (e.g., code 701B, FIG. 7) on the first optical media and the image is scanned to determine a disk identifier, the disk identifier uniquely identifying the first optical media. Inventory of the first optical media is reported to the central server if the first optical media is accepted at the second kiosk. (See present Specification, p. 21, lines 29-31; see also p. 21, line 32-p. 22, line 3).

With respect to claim 6, the image is rotated, via internal software to the first kiosk, and the second code is rescanned to determine the disk identifier. (See present Specification, p. 5, lines 19-22; p. 16, lines 21-23; p. 21, lines 22-24).

With respect to claim 7, one or both of the first code and second code comprises a bar code (e.g., barcode 701, FIG. 7). (See also present Specification, p. 21, lines 22-31).

With respect to claim 9, characteristics of a case housing of the first optical media are sensed, then it is determined if the characteristics match predetermined characteristics associated with the second kiosk, and a door is opened to an input/output slot of the second kiosk to accept the case and optical media when the characteristics match the predetermined characteristics. (See present Specification, p. 4, line 30 - p. 5, line 4).

With respect to claim 10, the predetermined characteristics (see claim 9 description) are defined by physical structure of the case. (See present Specification, p. 4, line 30 - p. 5, line 4).

With respect to claim 11, the physical structure forms one or more holes and one or more blocked regions in the case, and the step of sensing characteristics comprises sensing the holes and blocked regions. (See present Specification, p. 4, line 34 - p. 5, line 1).

With respect to claim 12, inventory movement of the first optical media is tracked between the first kiosk and the second kiosk. (See, e.g., present Specification, p. 4, line 30-p. 5, line 26 and p. 21, lines 25-31).

With respect to claim 13, one or more images are obtained and stored through an image capturing device (e.g., camera device 210) located within, or in proximity to, the first kiosk. (See present Specification, p. 13, lines 29-34).

With respect to claim 14, a person proximal to the first kiosk is imaged. (See present Specification, p. 13, lines 29-31).

With respect to claim 15, a person interacting with the first kiosk is imaged. (See present Specification, p. 13, lines 31-32).

With respect to claim 16, a person conducting a user identification or credit card input at the first kiosk is imaged. (See present Specification, p. 4, line 30 - p. 5, line 4).

With respect to claim 17, the images are transmitted to the central server. (See present Specification, p. 4, lines 33-34).

With respect to claim 18, a second user automatically interfaces at a second kiosk in a second transaction for a second local optical recorded media. The second local optical media is contained within the second kiosk, the second kiosk being one of the kiosks and not the first kiosk. (See, e.g., the plurality of kiosks 101 at FIG. 1; see present Specification, p. 12, lines 19-30). The second user is one of the users. Automatic communication between the second kiosk and the server occurs to authorize the second transaction. (See, e.g., present Specification, p. 15, line 33 – p. 16, line 9; see also steps 502-512, FIG. 5). The second local

optical media is dispensed to the second user, at the second kiosk, if the second transaction is approved. (See, e.g., present Specification, p. 16, lines 9-13; see also step 514, FIG. 5).

With respect to claim 19, the first and second kiosks are managed from the central server. (See, e.g., present Specification, p. 2, lines 24-29).

With respect to claim 20, advertising information is communicated from the server to a third kiosk, the third kiosk being one of the kiosks, and the advertising information is communicated to users at the third kiosk. (See present Abstract and Specification, p. 7, lines 12-19).

With respect to claim 21, one of (a) the information is displayed on a screen at the third kiosk (see, e.g., display device 204, FIG. 2 and display 904, FIG. 8) and (b) the information is audibly communicated to the users through speakers (e.g., speakers 962, FIG. 10 and audio device 212, FIG. 2) at the third kiosk. (See, e.g., present Specification, p. 13, lines 4-18).

With respect to claim 23, at least part of information stored in the central server is backed up within internal memory within the first kiosk. (See, e.g., present Specification, p. 5, lines 26-30),

With respect to claim 24, user transactions at the second kiosk and communicating advertising information at the second kiosk are profiled based on the profiling of user transactions. (See, e.g., present Specification, p. 5, line 31 - p. 6, line 11).

With respect to claim 25, user transactions at the first kiosk and communicating advertising information at the first kiosk are profiled based on the profiling of user transactions. (See, e.g., present Specification, p. 5, line 31 - p. 6, line 11).

With respect to claim 26, a group of kiosks are managed through the central server via a personal computer connected to the Internet, the group of kiosks being a subset of all the kiosks. (See, e.g., present Specification, p. 2, lines 32-34, and p. 9, lines 31-33).

With respect to claim 27, advertising information communicated to users is managed at any of the kiosks within the group of kiosks. (See present Specification, p. 2, lines 27-29, and p. 9, lines 31-33).

With respect to claim 28, inventory at any of the kiosks within the group of kiosks is determined. (See, e.g., present Specification, p. 6, lines 17-21).

With respect to claim 29, inventory of each of the kiosks is determined via Internet access through the central server. (See, e.g., present Specification, p. 6, lines 17-21; p. 9, lines 10-13, and p. 12, lines 27-28).

With respect to claim 30, discount coupons are emailed to the first user through the Internet and based on the inventory. (See, e.g., present Specification, p. 9, lines 28-33, and p. 11, lines 6-19).

With respect to claim 31, one or more alarm states associated with the first kiosk are identified. (See, e.g., present Specification, p. 13, lines 21-22, and p. 14, lines 15-22).

With respect to claim 32, the alarm states are automatically identified and information about the alarm states is automatically sent to an administration associated with the central server. (See, e.g., present Specification, p. 13, lines 21-22, and p. 14, lines 20-22).

With respect to claim 33, one or both of voice and text messages are communicated to the administration as a message communicated by one or more of email and a mobile phone, pager, or other wireless device. (See, e.g., present Specification, p. 14, lines 20-22).

With respect to claim 34, individually-targeted promotions are automatically generated at one or more of the kiosks. (See, e.g., present Specification, p. 3, lines 16-21).

With respect to claim 35, unique promotion codes are processed. (See present Specification, p. 6, lines 5-6).

With respect to claim 36, the promotion codes are obtained from the touch screen at the first kiosk. (See present Specification, p. 6, lines 7-8).

With respect to claim 37, the promotion codes are obtained from a magnetic card swipe through a reader at the first kiosk. (See present Specification, p. 8-9).

With respect to claim 38, an individually-targeted coupon is distributed to one or more users of the system. (See present Specification, p. 3, lines 16-21).

With respect to claim 39, a coupon is distributed to a user of the first kiosk. (See present Specification, p. 6, lines 2-5 and p. 11, lines 9-11 and 17-19).

With respect to claim 40, a coupon is distributed that is activated by a transaction at the first kiosk. (See id).

With respect to claim 41, kiosk business data is administered through a remote web-interface. (See, e.g., present Specification, p. 15, lines 10-17).

B. Independent Claim 63 and Dependent Claims 64-68, and 70-71

Claims 63-68 and 70-71 relate to a method for distributing optical recorded media to and from users.

With respect to claim 63 specifically, a plurality of kiosks are coupled to a central server via the Internet, each of the kiosks is configured to dispense a plurality of optical recorded media. (See, e.g., kiosks 101, Internet 104 and media 102, FIG. 1). Inventory of the optical recorded media of each of the kiosks is determined at the server (e.g., server system 103, FIG. 1; see also present Specification, p. 14, lines 7-8). Operational status of each of the kiosks is routinely obtained at the server. (See, e.g., present Specification, p. 14, lines 13-15). A first user automatically interfaces via a touch screen (e.g., touch screen display 904, FIG. 8) at a first kiosk (e.g., kiosk 101 or 200, FIG. 1 or 2) in a first transaction for first local optical recorded media (e.g., media 214, FIG. 2). The touch screen provides a touch-selectable listing of optical recorded media, including the first local optical recorded media, contained within the first kiosk, the first kiosk being one of the kiosks, the first user being one of the users. (See, e.g., present Specification, p. 10, lines 27- 32). The first kiosk and the server automatically communicate to authorize the first transaction. (See, e.g., present Specification, p. 15, line 33 – p. 16, line 9; see also steps 502-512, FIG. 5). The first local optical media is automatically dispensed to the first user if the first transaction is approved. (See, e.g., present Specification, p. 16, lines 9-13; see also step 514, FIG. 5). Return of the first local optical media is accepted into rentable inventory of a second kiosk, the second kiosk being one of the kiosks. (See, e.g., present Specification, p. 5, lines 7-11; p. 21, lines 22-28).

With respect to claim 64, a digital image of the first optical media is captured. (See present Abstract and Specification, p. 5, lines 19-21).

With respect to claim 65, the image is electronically scanned to decode one or more bar codes on the first optical media to determine an identifier of the first optical media. (See present Specification, p. 5, lines 19-21, p. 16, lines 21-23 and p. 21, lines 22-31).

With respect to claim 66, inventory movement of the first optical media is tracked between the first kiosk and the second kiosk. (See, e.g., present Specification, p. 4, line 30-p. 5, line 26 and p. 21, lines 25-31).

With respect to claim 67, advertising information is communicated from the server to any of the plurality of kiosks, to communicate advertising information to the users. (See present Abstract and Specification, p. 7, lines 12-19).

With respect to claim 68, user transactions are profiled at one of the kiosks and advertising information is communicated to the kiosk based on the profiling. (See, e.g., present Specification, p. 5, line 31 - p. 6, line 11).

With respect to claim 70, individually-targeted promotions are generated automatically at one or more of the kiosks. (See, e.g., present Specification, p. 3, lines 16-21).

With respect to claim 71, a coupon is distributed to a user. (See present Specification, p. 3, lines 16-21, p. 6, lines 2-5 and p. 11, lines 9-11 and 17-19).

GROUNDS FOR REJECTION TO BE REVIEWED ON APPEAL

I. The rejection of claims 1, 12, 18-19, 23, 26, 28-29, 31, 63, and 66 under 35 U.S.C. 103(a) based on Newell (U.S. 5,159,560) in view of Kanoh (U.S. 5,934,439), Harman (U.S. 5,095,195), and Smith (U.S. 5,860,362).

II. The rejection of claims 3-7 and 64-65 under 35 U.S.C. 103(a) based upon Newell in view of Kanoh and Harman, Smith, and Koenck (U.S. 6,688,523).

III. The rejection of claims 9-11 under 35 U.S.C. 103(a) based upon Newell in view of Kanoh, Harman, Smith, Koenck, and Rudy (U.S. 4,608,679).

IV. The rejection of claim 13 under 35 U.S.C. 103(a) based upon Newell in view of Kanoh and Harman, Smith, and Maloney (U.S. 6,119,932).

V. The rejection of claims 14-17 under 35 U.S.C. 103(a) based upon Newell in view of Kanoh, Harman, Smith, Maloney, and Ogasawara (U.S. 6,513,015).

VI. The rejection of claims 20-21, 24-25, 27, and 64-68 under 35 U.S.C. 103(a) based upon Newell in view of Kanoh, Harman, Smith, and Tomita (U.S. 6,965,869).

VII. The rejection of claim 30 under 35 U.S.C. 103(a) based upon Newell in view of Kanoh, Harman, Smith, and Crapo (U.S. 2004/0064371).

VIII. The rejection of claims 32 and 33 under 35 U.S.C. 103(a) based upon Newell in view of Kanoh, Harman, Smith, and Peters (U.S. 5,769,269).

IX. The rejection of claims 34 and 38-40 under 35 U.S.C. 103(a) based upon Newell in view of Kanoh, Harman, Smith, and DeLapa (U.S. 6,954,732).

X. The rejection of claims 35-37 under 35 U.S.C. 103(a) based upon Newell in view of Kanoh, Harman, Smith, DeLapa, and Roberts (U.S. 6,493,110).

XI. The rejection of claim 41 under 35 U.S.C. 103(a) based upon Newell in view of Kanoh, Harman, Smith, and Dejaeger (U.S. 2001/0037207).

ARGUMENT

As a preliminary matter, it must be noted that all of the rejections appealed below are substantively identical to those that were appealed in the Appeal Brief filed on April 8, 2008, except only for the fact that the Smith reference has now been added to each of the previous rejections as a fourth, fifth, or sixth reference to the existing proposed combinations. The Examiner chose to reopen prosecution after the Appeal Brief was filed, and without filing an Examiner's Answer.

Smith, however, has not been cited to resolve the deficiencies in the original rejections, discussed further below. Smith, for example, does not provide any additional teachings or suggestions that would motivate one of ordinary skill in the art to make the many different art combinations proposed by the Examiner. More importantly, Smith in no way answers or even discusses a single issue raised by Applicants in rebuttal to the asserted *prima facie* cases of obviousness. The Board will note that the Examiner has not even attempted to answer the rebuttal case. The entire "Response to Arguments" (page 3 of the Office Action) is the statement that the previous meritorious arguments "are moot in view of the new grounds of rejection." The mere addition of Smith to each of the existing rejections does not render a single rebuttal argument moot. It was therefore clear error for the Examiner to reopen prosecution without first offering one single sentence that challenged the merits of the nearly 200 pages of submitted rebuttal evidence.

I. THE REJECTION OF CLAIMS 1, 12, 18-19, 23, 26, 28-29, 31, 63, AND 66 UNDER 35 U.S.C. 103(a) BASED ON NEWELL, KANOH, HARMAN, AND SMITH SHOULD BE REVERSED.

A. A *Prima Facie* Case of Obviousness Has Not Been Established.

1. The rejection fails to cite to any teaching or suggestion that indicates the desirability to combine the references.

In order to establish *prima facie* obviousness over claim 1 or claim 63, Newell in view of Kanoh, Harman, and Smith must, at a minimum teach or suggest a method for distributing optical recorded media to and from users, including each and every feature of claim 1 and claim 63. The Examiner notes, and Applicants agree, that several features of claim 1 (and also claim 63) are not taught by Newell. The Examiner merely asserts that it would have been obvious for one to modify the teachings of Newell to include certain features of Kanoh and Harman.

Applicants respectfully traverse the rejection. The rationale presented by to support the proposed combination is conclusory only. The asserted rationale is that the combination would have been obvious "in order to identify and authenticate a user before dispensing a product to the customer." Office Action p. 5, second full paragraph. In support of this assertion the rejection points only to Kanoh, col. 6, lines 41-56. However, the cited text discusses only credit card processing, which, as described by Kanoh, is not the same as identifying and authenticating a <u>customer</u>, which is the purported motivation for combining Kanoh and Newell. Hence, the cited passage does not actually support the conclusory assertion of obviousness. Accordingly, the assertion is an unsupported personal opinion of why the references could be combined. Appellants note that "[r]ejections on obvious grounds cannot be sustained by mere conclusory statements; instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness." *KSR International Co. v. Teleflex Inc.*, 127 S.Ct. 1727, 1741 (2007).

It is also critical to note that Kanoh distinguishes against the functions disclosed in the cited passage, because Kanoh cannot, for example, allow for handling late returns. (See Kanoh col. 1, line 64, through col. 2, line 4). Appellants therefore once again submit that nowhere, in either reference, is the desire "to correctly identify and authenticate a customer before dispensing a product to the customer" ever actually described. More particularly, neither reference teaches that the actual motivation conceived of by the Examiner can even be accomplished according to the unique combination of features presented in the pending claims.

Accordingly, the standards of Section 2413.01 of the MPEP are still not met. As codified in Section 2143.01, *prima facie* obviousness cannot be established by merely picking and choosing unrelated features from various references. Instead, the Examiner has the burden to additionally indicate in the written record where the prior art itself teaches or suggests the motivation to combine the references as proposed, absent of course, as in the present case, any evidence in the record of some well-known principle in the art. Without any teaching or suggestion supporting the proposed motivation to combine Newell and Kanoh, the stated rationale is based only upon the Examiner's own personal opinion. Mere conclusory statements, however, without any actual evidence cited on the record in support thereof – the required "rational underpinning" – cannot satisfy the burden to establish the obviousness of combining the references. *In re Lee,* 277 F.3d 1338 (Fed. Cir. 2002); *KSR,* quoted above. Accordingly, the rejection should be withdrawn for at least this reason.

Furthermore, the rationale asserted by the Examiner for combining the teachings of the Harman reference with Newell and/or Kanoh remains equally deficient. Similarly, the entire rationale asserted is a single conclusory statement of the Examiner's own personal opinion, and not based on any actual evidence from any of the three cited references. This statement (that the combination would allow users to "interact with a kiosk in a manner that is user friendly and easy to [*sic.*] which would simplify the use of the kiosk") was repeated *verbatim* from a prior office action, despite the fact that Appellants have since pointed out the impropriety of such conclusory statement, and the requirement for evidence – either from the prior art itself, or based on some well-known principle in the art – capable of objective review and rebuttal. See page 6, first paragraph of the Office Action; see also pages 4-5 of the final Office Action of May 3, 2007 and Appellants response, at pages 1-12 of the Response of October 31, 2007. The rebuttal evidence, discussed further below, proves that the prior art simply did not provide the "user friendly" combination of features that the Examiner asserts to be obvious.

Without such required evidence on the record – evidence capable of objective review and rebuttal – the rejection presents nothing more than a case of impermissible hindsight. The rejection picks and chooses features from the various references, and then only *presumes* the obviousness of combining such features based on the Examiner's own opinion. By definition, the Examiner's personal opinion can never satisfy the definition of "documentary evidence, capable of objective review and rebuttal." The Examiner, for example, has not submitted anywhere in the record how he arrived at his conclusory opinion, where he received the knowledge that forms the basis of that opinion, and the actual dates such knowledge was obtained by him. The present case therefore presents the exact situation expressly rejected by the Federal Circuit in *Lee*. The rejection should again be withdrawn for at least this reason.

Smith is added to the proposed combination merely for its disclosure of credit card transactions being conducted over the Internet. See Smith col. 3, lines 30-32. As discussed above, credit card transactions are not the same as user authorization, nor does the mere ability to process credit card transactions over the Internet render obvious the total combination of features of the presently claimed methods. The present claims feature that the entire system of kiosks is connected to the central processor via the Internet, and not merely credit card processing. Smith does not, for example, disclose that its credit card processing is through the <u>same</u> central processing system that operates the kiosks, as required by the

claims. Merely having *some* Internet connectivity is not the same as having the kiosks operating all of claimed steps through a single central processor. Accordingly, Smith does not support the assertions made in the rejection.

The impropriety of the presumption of obviousness of combining the cited references is all the more apparent in light of the overwhelming objective evidence submitted by Applicants on October 31, 2007, as secondary considerations to rebut even a properly established *prima facie* case of obviousness. This unchallenged evidence proved that not only has any required motivation to combine the references not been established, such motivation *could not have been* established in light of such objective evidence.

2. Insufficient consideration was given to the clear evidence on the record challenging the assertion of obviousness.

In Appellants' Response of October 31, 2007, Appellants presented the substance of the arguments above (except only those arguments directed toward Smith), and even further rebutted the claim rejections of record by factually referencing the substance of the 5-page Declaration that was submitted therewith, along with its 192 pages of attached evidentiary Exhibits. The Declaration and Exhibits clearly contradict, on a purely factual basis, the assertion that the relevant features of the present claims were at all obvious in this field of art. The Examiner was required to give all of this evidence full consideration before repeating the same rejections. In reply, however, the Examiner merely declared that "The declaration(s) under 37 CFR 1.132 filed 10/31/2007 are insufficient to overcome the rejection of claim 1 based upon 35 U.S.C. 103(a) as being unpatentable over Newell et al. United States Patent 5,159,560 in view of Kanoh et al. United States Patent 5,934,439 and Harman et al. United States Patent 5,195,195 as set forth in the last Office action." The Board will see that this summary dismissal has again been simply repeated in the pending action on page 3, second paragraph.

No explanation or rationale, however, has ever been given by the Examiner for why or how the extensive (and unchallenged) evidence was "insufficient." Such a complete lack of explanation leaves Appellants in an untenable position. Appellants could easily provide, for example, additional evidence to augment the Declaration if the Examiner is suggesting that the *quantity* of the objective evidence was what was "insufficient." However, Appellants have received no indication as to how the Declaration and Exhibits are allegedly lacking. The Examiner never asserted, for example, that the arguments presented in the Declaration were insufficient.

It appears therefore, that the Examiner effectively ignored the evidence in its entirety as a matter of law, and inserted an incomplete stock response paragraph from the MPEP to justify the complete lack of consideration. Section 716 of the MPEP, paragraph 7.66, states that: "The [1] under 37 CFR 1.132 filed [2] is insufficient to overcome the rejection of claim [3] based upon [4] as set forth in the last office action ***because***:" (Emphasis added). In the present case, however, the Examiner has failed to supply any "because" rationale to justify the "insufficiency," as was clearly required of the Examiner according to the MPEP.

Further under this paragraph are the express instructions for the Examiner to then "set forth the reasons for the insufficiency...Also include a ***detailed explanation of the reasons why the affidavit or declaration is insufficient***." See paragraph 7.66, item 5, emphasis added. In the present case, however, the Examiner has notably failed to satisfy these unambiguous requirements. The Examiner has not provided *any* explanation of why the Declaration and Exhibits are insufficient. Accordingly, Appellants submit that the Examiner's refusal to substantively consider the Declaration was not only inappropriate, but it also rendered the repeated obviousness-type rejections further facially deficient. The Examiner was required to consider <u>all</u> evidence of record before asserting a new rejection or repeating the previous rejections. In the present case, however, the record clearly shows that the Examiner has given no consideration, as a matter of law, to hundreds of pages of evidence that were more than sufficient overcome the assertion of obviousness:

Even had a *prima facie* case of obviousness been established in the present case (which Appellants do not concede, as discussed in detail above and below), the final determination of obviousness is not settled. Instead, the burden merely "shifts to the applicant to come forward with evidence and/or argument supporting patentability." *In re Glaug*, 283 F.3d 1335, 1338 (Fed. Cir. 2002). The evidence submitted on rebuttal can be any "showing of facts support the opposite conclusion [from the Examiner]," *In re Piasecki*, 745 F.2d 1468, 1472 (Fed. Cir. 1984), including evidence of commercial success. *WMS Gaming, Inc. v. Int'l Game Tech.*, 184 F.3d 1339, 1359 (Fed. Cir. 1999). The Examiner is *required* to consider all such evidence of nonobviousness when assessing patentability. *In re Soni*, 54 F.3d 746, 750 (Fed. Cir. 1995); *In re Sernaker*, 702 F.2d 989, 996 (Fed. Cir. 1983). In the present case, the Examiner appears to have failed to meet this burden.

Furthermore, Appellants also presented secondary considerations of nonobviousness as evidenced by U.S. Patent No. 7,234,609 to DeLazzer ("DeLazzer"), which is considerably antedated by the present Application. More than three years after the filing of the present

Application, DeLazzer discloses that a number of the features recited in the present claims have "substantial benefits" and "*distinguish from conventional options*." (Emphasis added; see also tables 1 and 2, presented at pages 17-19 of the October 31, 2007 response). Appellants presented this question: If DeLazzer, (who, as an inventor of a DVD distribution system can be presumed to be one of skill in the art) cited claimed features of the present Application as 'distinguishing from conventional options' almost three years <u>after</u> the filing date of the present Application (and almost seven years after the filing date of Kanoh), then how could such features have been obvious at the time Appellants' invention was made? See Response of October 31, 2007, pages 17-20. The record clearly shows that there has never been a single attempt to respond to this clear evidence of nonobviousness.

The Examiner has also failed to answer or challenge Appellant's evidence of scepticism by experts, which is listed among MPEP's secondary considerations of nonobviousness. See Section 2141(III) of the MPEP. See Response of October 31, 2007, page 24. Pursuant to Section 2141(III), "Objective evidence or secondary considerations such as unexpected results, commercial success, long-felt need, failure of others, copying by others, licensing, and scepticism of experts are relevant to the issue of obviousness and must be considered in every case in which they are present. When evidence of any of these secondary considerations is submitted, the examiner <u>must</u> evaluate the evidence." (Emphasis added). See also Section 716.01(a) of the MPEP. Furthermore, "[o]ffice policy is to follow *Graham v. John Deere Co.* in the consideration and determination of obviousness under 35 U.S.C. 103. As quoted above, the four factual inquires enunciated therein as a background for determining obviousness are as follows:

A) Determining the scope and contents of the prior art;

B) Ascertaining the differences between the prior art and the claims in issue;

C) Resolving the level of ordinary skill in the pertinent art; and

D) *Evaluating evidence of secondary considerations*."

Despite these clear requirements, the pending repeated rejections do not respond to, or indicate any consideration of, the secondary considerations presented based upon (1) DeLazzer, (2) evidence of skepticism of experts, (3) commercial success, and (4) evidence of copying by others, all of which have been amply presented on the record in the present case.

3. The rejection is deficient on its face for failing to consider all of the language of the claims with respect to the cited art.

Independent Claims 1 and 63: As previously discussed, in order to establish amended claim 1 as being *prima facie* obvious, the combined references must *additionally* teach each and all of the elements of the claim, as separately codified and required in Section 2143.01 of the MPEP. In other words, Newell in view of Kanoh, Harman, and Smith must teach Appellants' methods for distributing optical recorded media to and from users. However, none of these references, whether taken alone or in combination, teach all features of claim 1. For example, the combination does not teach coupling kiosks to the single central server via the Internet.

The rejection originally cited only Kanoh for allegedly suggesting such features by its "online" processing of credit cart transactions. The Examiner has now withdrawn this assertion in favor of Smith's disclosure of the Internet for credit card processing. As described above, however, such processing does not require that the kiosks communicate with their own central server. It is well known in the art that credit card authorizations are made directly with banks. The "new" rejection that includes Smith thus asserts nothing more than a local DVD-distributing kiosk that can authorize credit card purchases through the Internet by contacting a bank. A bank issuing a credit card would have no incentive to distribute DVDs. Accordingly, Smith teaches nothing more that *a* use of the Internet. Smith fails to teach or suggest the claimed integration of the Internet into the present kiosk/central server system.

And specifically to the issue of obviousness, one of ordinary skill would understand that Internet applications in 1996 were nowhere near what they are in the present day (or at the effective date of the present Application). More particularly, one of ordinary skill would have been aware of the fact that commercial activity on the Internet was banned until 1991 in the United States, and that the country of Japan was considered as slow to accept the use of the Internet relative to the United States.

More importantly, the rejection fails consider the relationship between the Internet and the PSTN at the time of the invention. In 1996, the typical standard used over the Internet was File Transfer Protocol, or "FTP." FTP was common for simple data transfer like a credit card transaction, but it did not allow the true browser level interactivity until the development of the softswitch in 1998, and the subsequent common appearance of browser and VoIP technology. The Internet thus did not truly become the "gateway to the PSTN," for

non FTP transactions, until 1998. See http://en.wikipedia.org/wiki/VoIP#History. Smith was filed in 1997, but actually claims priority to 1996. One of ordinary skill in the art, at the time of the present invention, and without the benefit of the present application, simply would not have found it obvious to establish a networked system of kiosks connected to a central server through the Internet.

The rejection fails acknowledge that the presently claimed methods were the first to reduce to practice a kiosk DVD system that could benefit from the modernization of Internet technology that occurred in the late 1990's. The Declaration and Exhibits, discussed below, further prove this point.

Since Newell and Harman are silent as to the Internet, and Kanoh teaches nothing more than "online" credit card processing, the repeated and unsupported rejection of claims 1 and 63 cannot stand. No evidence has been submitted that, at the time of the invention, any of the cited art references were capable of even realizing the benefits of the presently claimed methods, and the objective evidence from DeLazzer further bears out the proof of this issue. Additionally, even had the Examiner been able to submit *prima facie* evidence on the record to support his conclusory opinion of obviousness, the irrefuted Declaration and Exhibits of 27 August 2007 clearly demonstrate the nonobviousness of claims 1 and 63 via the ample evidence of secondary considerations of commercial success, copying by others, indication of novelty by one of skill in the art, and scepticism of experts, even considering the presence of the Internet.

The Section 103 rejection of claims 1, 12, 18-19, 23, 26, 28-29, 31, 63, and 66 should be reversed for at least the reasons above

Dependent Claims 12, 18-19, 23, 26, 28-29, 31, and 66: The courts have ruled that if an independent claim is nonobvious under 35 U.S.C. 103, then any claim depending therefrom is nonobvious. *In re Fine*, 837 F.2d 1071.5 USPQ2d 1596 (Fed. Cir. 1988). The aforementioned claims are thus each patentable for at least the same reasons as their base claim (claim 1 or claim 62). However, these claims include additional novel features not taught by the suggested Newell/Kanoh/Harman/Smith combination, including:

Claim 19: This claim recites managing first and second kiosks from a central server. Per claim 1, this server is coupled to the kiosks via the Internet. As noted above, none of Newell, Kanoh, Harman, and Smith feature that the kiosks are managed by the central server via the Internet. Credit card processing could not be reasonably interpreted to be the

equivalent of "kiosk management" and thus the rejection also fails to establish management of kiosks via an Internet-coupled server, as required by claim 19.

Claim 23: This claim recites backing up at least part of information stored in the central server within internal memory within the first kiosk. The Examiner points to Newell col. 4, lines 12-48, in support of the rejection of claim 23, stating that "the 'reports' would be backed up information within the internal memory within a kiosk." Office Action p. 6, third paragraph. Respectfully, however, the Examiner appears to have misread this passage.

Kanoh specifies that vending machines 104-109 access control processing system 110 to report activity *since the last reporting period.* See col. 4, lines 14-15. There is no indication that reported information is saved by the vending machines after it is shared with control processing system 110. That is, there is no disclosure of "backing up" information, i.e., saving information in two places at once. Nevertheless, even if Appellants accept, for purposes of this discussion only, that such reporting is related to "backing up," Kanoh could at most only suggest backing up information from a vending machine on a server, <u>but not the reverse</u>. Claim 23 specifically recites backing up information from a central server within memory of a kiosk, and not *vice versa.*

Kanoh, however, fails to disclose the claimed backing up, anywhere. In the sole instances that discuss "back-up memory" in a vending machine, for example, Kanoh specifies that the back-up memory maintains a previous operating condition. See Kanoh col. 5, lines 35-37. In other words, "when power is interrupted, the driving condition at the time of interruption is maintained in the back-up memory... For example, when the transporting mechanism is transporting a video cassette, the storage location is identified on the basis of the content of the back-up memory to transport and store the video cassette to the correct storage shelf 33." Kanoh col. 9, lines 5-13. Backing up an operating condition occurring *within a vending machine* is also different from backing up information from a central server within internal memory of a kiosk. The proposed combination does not teach this claimed feature. Furthermore, nothing in the cited art teaches or suggests that this backup process could also be performed through the Internet. Credit card authentication is not a backup of files from the central server to the kiosk. Accordingly, the rejection of claim 23 specifically is also deficient on its face, and should be reversed for at least these reasons as well.

Claim 26: This claim recites managing a group of kiosks through a central server via a personal computer connected to the Internet. The Examiner notes that Newell does not teach management through an Internet-connected personal computer, and relies upon Kanoh

to maintain this rejection. However, as noted above, none of the cited references teach anything done through the Internet other than credit card processing, which is not taught to occur through the same central server that manages the kiosks.

The rejection also fails to establish that Kanoh teaches an Internet-connected PC. Further, it should be noted that Kanoh is silent as to a personal computer. The term is simply not found in Kanoh. The passage cited by the Examiner (col. 6, lines 41-56) discusses a host computer 50 of a control center, which is very different from a personal computer which, according to the present Application, can access a web page supported by a server. (See, e.g., Specification p. 12, lines 27-28). Browser technology protocols through the Internet came later than FTP. For at least these additional reasons therefore, the rejection of claim 26 specifically is also deficient, and should be reversed.

Claim 28: This claim depends from claim 26, and benefits from the above arguments, in addition to those presented for claim 1.

Claim 29: This claim recites determining inventory levels via an Internet connection. Credit card transactions are not management or determinations of inventory levels. A credit card transaction requires nothing more than a connection to a bank that authorizes the credit card at issue, and such a transaction would not take any account of a kiosk inventory to check the credit available on a card at a bank. Accordingly, the specific rejection of claim 29 is also deficient on its face, and should be reversed.

Claims 12, 18, 19, 23, 26, 28, 29, and 31, and claim 66, are submitted to be allowable at least due to their dependence from claims 1 and 63 (respectively), and also due to the individual claim arguments presented above. Appellants respectfully request reversal of the Section 103 rejection of claims 1, 12, 18-19, 23, 26, 28-29, 31, 63, and 66.

B. The Unchallenged Evidence of Record Rebutting Obviousness is Sufficient to Overcome Even a Proper *Prima Facie* Case of Obviousness.

Since the Examiner has given no indication of any meaningful consideration to the <u>extensive</u> rebuttal evidence submitted by Appellants, this Board must itself give such consideration to all of the submitted rebuttal evidence. In light of the fact that no substantive challenge has been made to the evidence, in all factual issues relating to this evidence on appeal, the Board is obligated to accept this evidence as true. The Board should find that this evidence, together with the relevant arguments provided herein, more than sufficiently rebuts

the erroneous conclusion of obviousness, even had a sufficient *prima facie* case been established (which Appellants do not concede).

In the present case, the Examiner has clearly declined to give *any* meaningful consideration to the extensive rebuttal evidence submitted by Applicant. The Examiner did not have discretion to refuse to meaningfully consider this evidence. The determination of obviousness "depends on consideration of the rebuttal evidence," *In re Sullivan*, 498 F.3d 1345, 1353 (Fed. Cir. 2007), and the Patent Office must give the declaration (and attached Exhibits) "meaningful consideration before arriving at its conclusion." Id.

The Rule 132 Declaration and Exhibits of record clearly demonstrate DVDPlay, Inc.'s commercial success in the field, including their increased market share, that directly stems from implementing a kiosk system according to the present method claims, pursuant to Section 716.03(b)(IV) of the MPEP. Specifically, as proven by the evidence submitted, DVDPlay, Inc., the assignee of the entire right, title and interest in and to the present Application, currently holds approximately 16-20% of the movie rental kiosk market.

As noted in the Rule 132 Declaration, the present Application, and its parent Applications (U.S. 09/578,631 – now U.S. Patent No. 7,444,296 – and provisional Applications U.S. 60/135,851 and U.S. 60/143,601) introduce a unique combination of steps for distributing optical recorded media to the DVD vending kiosk market. Prior to the present Application, there were no kiosks or machines that combined DVDPlay's steps into a single method for distributing optical recorded to and from users. Even today, the Examiner was unable to identify the unique claimed combination in any one of the *fourteen* cited references, or in any other evidence available to the public. The question must therefore be asked: If the claimed combination of steps was so obvious, why did no party implement it in the DVD vending kiosk market prior to the present Application and its parent applications? And why did both the DVD vending kiosk market and DVDPlay, Inc., grow so quickly after the introduction (and copying) of the combination claimed by Applicants? From the unchallenged evidence on the record, the answer to these questions can only be: because the present Application is novel and unique, and thus not obvious under 35 U.S.C. 103.

Consider, for example, the evidence of the explosive growth of the DVD vending kiosk market after the present Application and its parent applications became public. Prior to the introduction of these applications, the DVD vending kiosk market was essentially non-existent. Applicants performed an Internet search for statistics of the DVD vending kiosk market prior to 2000 (the filing year of U.S. Patent No. 7,444,296, of which the present

Application is a continuation) and prior to 1999 (the parent provisional filing year), and found that there was very little market. In fact, DVD rentals did not even surpass VHS rentals until 2001. See "DVD," Consumer Electronics Association ©2007, at http://www.ce.org/Press/CEA_Pubs/929.asp. Applicants encouraged the Examiner to conduct his own search for pre-2001 DVD rental kiosk sales, but the Examiner chose not to perform any such search, or otherwise challenge Applicants' findings.

On the other hand, since DVDPlay introduced its unique methods for distributing optical recorded media to and from users, the movie rental kiosk market has grown to an estimated $120 million per year industry (see the Rule 132 Declaration at Section B, number 5). DVDPlay, Inc.'s revenue for 2007 is expected to be about $18 million (about 18-20% of the current market), and DVDPlay, Inc. rented its 10 millionth movie in September 2007. See Declaration at Section B, no. 5, for additional statistics. Accordingly, Appellants have unquestioningly established both commercial success and market share as a direct result of the claimed methods that are the subject of this appeal.

Note also the unchallenged evidence submitted of the scepticism of experts (another recognized rebuttal secondary consideration per Section 2141(III) of the MPEP), and specifically that of Brad Hackley, Vice President of business development for the home video group at industry tracker Rentrak: "Practically no one saw this coming…the kiosks came out of nowhere." See "Self-Serve Movie Rental Kiosks A Surprise Hit With Consumers; DVD vending machines find national audience, put pinch on retailers," *Investor's Business Daily*, May 31, 2007 at Exhibit A, pp. A9-A10, *esp.* p. A10, ¶4. See also heading entitled "Secondary Considerations of Nonobviousness – Scepticism of Experts," below. These statements by industry experts directly contradict the Examiner's conclusory opinions that the existing prior art could have been obviously adapted and combined to create the methods of the present claims.

Likewise, DVDPlay's competitors, in particular, majority market holder Redbox, have enjoyed increased commercial success since DVDPlay, Inc. introduced its method and related systems. However, it is unchallenged in the record that "*Redbox jump-started its DVD rental business by offering re-branded kiosks manufactured and operated by Silicon Valley-based DVDPlay, Inc.* These machines were deployed to 140 locations in the McDonald's test market of Denver, Colorado. In May of 2005, Redbox announced it was phasing out the DVDPlay-manufactured machines and instead would contract Solectron to create and manufacture a custom kiosk design," a design which essentially copied the features of the

present claims. (See Wikipedia's "Redbox" article at http://en.wikipedia.org/wiki/Redbox, emphasis added).

In other words, Redbox created its current machines only after several years' experience with DVDPlay, Inc.'s kiosks and methods, which incorporate DVDPlay's unique combination of presently claimed features. Redbox's success did not occur in a bubble, but is instead shown on the record to have been clearly linked to the present Application and its parents. See, e.g., Sections C and D ("Copying by Others" and "Commercial Success of Others Due to Copying DVDPlay Systems"), avowing copying of the DVDPlay systems by Redbox and Redbox's subsequent success. Given Redbox's *majority* share of the market and Redbox's experience with and exposure to the DVDPlay systems, Applicants submit that the majority of commercial success of the DVD vending kiosk market in general (since the filing of the present Application and its parents) can be attributed to Applicants' present invention – i.e., the unique combination of claim elements in the present Application.

In accord with Section 716.03(b)(II) of the MPEP, the unchallenged commercial success shown on the record clearly flows from the functions and advantages disclosed in or included within the scope of the pending claims as interpreted in light of the present Specification. There is an unchallenged nexus between the claimed inventions of the present Application and this commercial success. See the Rule 1.132 Declaration, item 7, and cited Exhibits. (See the Rule 1.132 Declaration, item 7 and cited Exhibits). Among exemplary disclosures, see also p. 2, line 32-p. 3, line 34 and p. 7, line 25 - p. 9, line 29 of the present t Specification.

For example, as in claim 1 of the present Application, DVDPlay systems operate according to a method for distributing optical recorded media to and from users, including coupling one or more kiosks to a central server via the Internet. (See, e.g., Exhibit B, pp. B1, ¶2-3 and 6; B7, last ¶; B11, last ¶; B25, ¶2; B26, ¶1; B80, ¶3 (noting the "huge benefit" of DVDPlay, Inc.'s Internet connectivity)). Each kiosk contains a plurality of optical recorded media. (See, e.g., Exhibit B, pp. b1, ¶8; B26, ¶5, B30, ¶4; see also Exhibit C, pp. C2-C3 and C11). Inventory of the optical recorded media of each of the kiosks is determined at the server and operational status of each of the kiosks is routinely obtained at the server. (See, e.g., Exhibit B, pp. B1, ¶7; B9, ¶1; B11, ¶¶2 and 6; B20, ¶10; B25, ¶1; B27, ¶1; note also Tejas Videos' CEO statement of reduced costs "due to the ability to remotely manage tasks from one centralized location," p. B80 ¶2).

The present method also includes the step of automatically interfacing with a first user via a touch screen at a first of the kiosks, in a first transaction for first local optical recorded media. (See, e.g., Exhibit B, p. B11, ¶5 description of "fully-automated touch-screen interface;" see also pp. B1, ¶8; B4, ¶5; B11, ¶5, Exhibit C, pp. C1-C5 and C7). The touch screen provides a touch-selectable listing of optical recorded media, including the first local optical recorded media, contained within the first kiosk. (See, e.g., Exhibit C, pp. C1-C5 and C7). The first kiosk and the server automatically communicate to authorize the first transaction. (See, e.g., Exhibit B, p. B11, especially ¶6, noting intelligent backend that communicates with kiosk and manages credit transactions; see also Exhibit B, p. B9, ¶1; Exhibit C, pp. C6-C9). The first local optical media is dispensed from the first kiosk to the first user if the first transaction is approved. (See, e.g., Exhibit C, pp. C6-C9). The method also includes the step of accepting return of the first local optical media into rentable inventory of a second of the kiosks. (See, e.g., Exhibit B, pp. B13, ¶2; B15, ¶4; B24, 3; B26, ¶4, noting that "All returned movies are instantly available for re-rental;" see also Exhibit B p. B37, ¶2, and letter from Tejas Videos' CEO, stating that returning to another kiosk is "a huge benefit," Exhibit B, p. B80, ¶3).

As in claim 63 of the present Application, the DVDPlay system also operates according to a method for distributing optical recorded media to and from users. A plurality of kiosks is coupled to a central server via the Internet, each of the kiosks configured to dispense a plurality of optical recorded media. (See, e.g., Exhibit B, pp. B1, ¶2-3 and 6; B7, last ¶; B11, last ¶; B25, ¶2; B26, ¶1; B80, ¶2). Each kiosk contains a plurality of optical recorded media. (See, e.g., Exhibit B, pp. b1, ¶8; B26, ¶5, B30, ¶4; see also Exhibit C, pp. C2-C3 and C11). Inventory of the optical recorded media of each of the kiosks is determined at the server, and operational status of each kiosk is routinely obtained at the server. (See, e.g., Exhibit B, pp. B1, ¶7; B9, ¶1; B11, ¶¶2 and 6; B20, ¶10; B25, ¶1; B27, ¶1; B80, ¶4). The DVDPlay system automatically interfaces with a first user via a touch screen at a first of the kiosks, in a first transaction for first local optical recorded media. (See, e.g., Exhibit B, p. B11, ¶5 description of "fully-automated touch-screen interface;" see also pp. B1, ¶8; B4, ¶5; B11, ¶5; Exhibit C, pp. C1-C5 and C7). The touch screen provides a touch-selectable listing of optical recorded media, including the first local optical recorded media, contained within the first kiosk. (See, e.g., Exhibit C, pp. C1-C5 and C7). The DVDPlay system automatically communicates between the first kiosk and the server to authorize the first transaction. (See, e.g., Exhibit B, p. B11, especially ¶6 noting intelligent backend that communicates with kiosk

and manages credit transactions; see also Exhibit B, p. B9, ¶1; Exhibit C, pp. C6-C9). If the first transaction is approved, the first local optical media is dispensed to the first user. (See, e.g., Exhibit C, pp. C6-C9). Upon return, the first local optical media is accepted into rentable inventory of a second of the kiosks. (See, e.g., Exhibit B, pp. B13, ¶2; B15, ¶4; B24, 3; B26, ¶4, noting that "All returned movies are instantly available for re-rental;" Exhibit B p. B37, ¶2; B80, ¶3, noting the "huge benefit" of accepting returns at a second kiosk).

The combined steps of claim 1 and the combined steps of claim 63 therefore each provide for high speed, remotely managed and accessible kiosks with small physical footprints; kiosks which allow credit-card transactions, remote administration and return of media to a kiosk other than the kiosk from which the media was rented. (See repeated reference to such benefits throughout the Exhibits to the Rule 1.132 Declaration, e.g., at Exhibit B, p. B1, ¶¶ 1-3 and 6; p. B3, ¶2; P. b4, ¶¶3-4, p. B11, ¶2; B13, ¶2; p. B24, ¶¶1-5; p. B37, ¶¶2, 4 and 5). "Internet connectivity enables remote administration – making it easy to gauge customer preferences, deliver reports, restock products and keep track of financial data...Because these AEMs are Internet-connected, screen-navigable, cashless, and remotely managed, labor, administrative costs, and responsibilities are kept to a minimum." (Exhibit B p. B11, ¶2). Furthermore, connecting a kiosk or kiosks to a central server, as in claims 1 and 63, "permits realtime remote control and administration of all <u>functions and features</u>." (Von Shows, CEO of Tejas Videos, Inc., see Exhibit B, p. B24, ¶3 (describing more than just the cited credit card authorizations); see also Mr. Shows' comments regarding enhanced connectivity, management, diagnostic, inventory, efficiency, profitability, customer service, and update benefits provided by DVDPlay systems, at Exhibit B, p. B80). Note especially Mr. Shows' comment that "without these features, I don't believe it would be economically feasible for me to run my operations as I currently do today." (P. B80, ¶5). Note also that "DVDPlay kiosks score highly, much to the satisfaction of the convenience stores that house these kiosks, as the entire system is automated, including the inventory management." (Frost Sullivan Award to DVDPlay at Exhibit B, p. B74, ¶1).

At the same time, the combined steps of claims 1 and 63 additionally provide convenience to, and increase confidence in, customers transacting via the kiosks. (See, e.g., Exhibit B, pp. B1-B2 (note that Freeflyr Automation is now DVDPlay, Inc.) and B20, ¶8; see also p. B55 ¶1 noting convenience and ease of use of Redbox machines, which are <u>pre-dated</u> by the '631 application and which copy features of the DVDPlay system). All of this

evidence is detailed at length in the section of the Declaration referring to "Copying by Others."

Applicants submit that the Rule 132 Declaration (with Exhibits) by itself provides ample secondary considerations (in at least the form of a showing of commercial success, market share, evidence of sceptics, and copying by others) to fully rebut the Section 103 rejection of claims 1 and 63, especially since the asserted rationales for combining the several various references is conclusory only. Additionally, tables 1 and 2 and page 24 of the October 21, 2007 Response present additional secondary considerations – namely, identification by one of skill in the art of claimed features as being different or beneficial when compared to "conventional options." These additional secondary considerations also warrant this Board's full consideration and reversal of the outstanding Section 103 obviousness rejection on rebuttal.

II. THE REJECTION OF CLAIMS 3-7 AND 64-65 UNDER 35 U.S.C. 103(a) BASED UPON NEWELL, KANOH, HARMAN, KOENCK, AND SMITH SHOULD BE REVERSED.

Claims 3-7 depend from claim 1, and claims 64-65 depend from claim 63, and thus benefit from like argument. Adding Koenck to the same combination does not remedy the failure of Newell, Kanoh, Harman, and Smith to demonstrate a *prima facie* case of obviousness over claim 1 and claim 63. Accordingly, the proposed combination also cannot and does not establish *prima facie* obviousness over claims 3-7 and 64-65. See *In Re Fine*, quoted above.

For example, Koenck is also completely silent as to any central management of kiosks through the Internet (as discussed above). Thus, base claims 1 and 63 can only be nonobvious in view of the Newell, Kanoh, Harman, Smith, and Koenck combination as well. Furthermore, the ample unchallenged evidence of record is more than sufficient to overcome even a *prima facie* case of obviousness (even could one have been properly made based on this combination, and Appellants again submit that no such case has been made). Accordingly, claims 3-7 and 64-65 are allowable over the cited combination for at least these reasons.

Additionally, claims 3-7 and 64 recite capturing a digital image of a code. Claim 65 depends from claim 64 and recites electronically scanning the digital image to decode one or more bar codes…to determine an identifier of the optical media. The Examiner adds Koenck

to the Newell/Kanoh/Harman/Smith combination in an attempt to render digital image capture. However, Newell specifically describes a "self-contained, automated vending apparatus." Col. 1, lines 67-68. Koenck, on the other hand, specifically describes a "hand-held area image scanner" that scans a code to produce a digital signal that is processed and recognized off-line. Col. 2, lines 7-23. Combining the hand-held scanner of Koenck with the apparatus of Newell would therefore directly interfere with the self-contained automation goals of Newell. A combination is not obvious if it would render one of the references unfit for its intended purpose.

Appellants presented this argument to the Examiner, and in response, the Examiner stated that Koenck was used for its teaching of digital image capture, which "could have been made internal, as a matter of design choice." (See previous Office Action p. 32, first paragraph). First of all, the Examiner's personal opinion of what "could have been" is not relevant to establishing a case of obviousness. See *KSR*, above, noting that conclusory statements cannot uphold obviousness rejections. Second, none of the cited references themselves teach or suggest such "internalized" digital image capture at all, let alone for the design reasons asserted by the Examiner. In fact, Koenck expressly teaches against all optical character readers but his own, hand-held version, stating: "[t]o date, there doesn't appear to be an optical character reader (OCR) product available that realistically has the capability to be operated portably. Power consumption and circuit complexity seem to be the factors that have discouraged development in this area." Col. 1, lines 46-50.

Accordingly, since the cited art does not itself provide motivation for the proposed combination, and since Koenck teaches against all optical readers but his own hand-held model (and therefore against a combination with at least that of Newell), all that remains on the record in support of the Examiner's rejection is his own conclusory opinion that internalizing digital image capture would have been obvious "if wanted (e.g., an act of design choice to make it internal)."

Again, mere conclusory statements from the Examiner, without any actual evidence cited on the record in support thereof, <u>cannot</u> satisfy the Examiner's burden to establish the obviousness of combining the references. *KSR*, *In re Lee*. As also codified in Section 2143.01 of the MPEP, *prima facie* obviousness cannot be established by merely picking and choosing unrelated features from various references. The Examiner has the additional burden to indicate in the written record where the prior art itself (absent any evidence in the record of some well-known principle in the art) teaches or suggests the motivation to combine the

references as proposed. In the present case, however, the rejections do not even assert that any such teachings or suggestions *exist* in the prior art, or were otherwise "well-known." Plus, the art itself teaches away from the suggested combination, which is, by itself, also sufficient to rebut even the asserted case of obviousness, had it been properly established.

The rejection of claims 3-7 and 64-65 should therefore be reversed for these reasons, and for the reasons argued above with respect to base claims 1 and 63. Appellants respectfully request withdrawal of this Section 103 rejection.

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III. THE REJECTION OF CLAIMS 9-11 UNDER 35 U.S.C. 103(a) BASED UPON NEWELL, KANOH, HARMAN, KOENCK, RUDY, AND SMITH SHOULD BE REVERSED.

Claims 9-11 depend from claim 1, and should be in condition for allowance for at least the reasons discussed above with respect to the base claim.

Furthermore, adding Rudy to the combination of Newell, Kanoh, Harman, and Smith does not establish a case of *prima facie* obviousness over claim 1. For example, Rudy also fails to teach management of the kiosks by a central server through the Internet. As the rationale for a motivation for the proposed combination, the Examiner first cites Rudy col. 7, lines 15-51, and asserts that "One of ordinary skill in the art would have been motivated to combine the teachings in order to quick effective method to retrieve optical storage." Office Action page 12, last paragraph. Rudy col. 2, lines 3-53, is then cited as the source for this motivation. This asserted rationale, however, has nothing to do with claims 9-11. Claims 9-11 deal with the <u>return</u> of optical media, and not the *retrieval* described in Rudy.

It is improper for the Examiner to simply declare, in a conclusory fashion, that Rudy's retrieval system may be obviously combined with Newell's "return" disclosures without citing something to support the combination other than the Examiner's own personal opinion. The cited portions from these two separate references address entirely different functions, and the rejection fails to cite any actual teaching or suggestion from either reference that would direct one of ordinary skill in the art to attempt to combine one reference with the other as the Examiner proposes. Without such evidence from the art itself, the Examiner was required to submit to the record the "well-known principle" in the art that would supply the motivation to one of ordinary skill to make the combination, as required by *KSR*. No such evidence,

however, appears on the record, and thus the obviousness rejection is dependent upon forbidden conclusory opinions.

Furthermore, the rejection is deficient because ***claim 9*** features that accepting return of optical media includes the additional steps of sensing characteristics of a case, determining whether the characteristics match predetermined characteristics associated with a kiosk, *and then* opening an input slot responsive to a match. Rudy, however, cannot read upon these limitations of the claim, as erroneously asserted in the rejection. Rudy discloses that the detection of a hole in a cartridge occurs *within input/output slot 54*. (See col. 7, lines 15-51, describing use of the hole to determine whether the case is correctly positioned within slot 54; see also FIG. 5). Rudy's system is therefore significantly different from the method of claim 9, which requires opening a door responsive to a match.

Additionally, Rudy does not teach determining if characteristics match a predetermined characteristic *associated with a kiosk*, as also featured in claim 9. Rudy's cartridge holes are used only to determine whether the cartridge is correctly positioned. (See col. 7, lines 39-51). Rudy neither teaches nor suggests that the positioning holes have anything to do with identifying a kiosk. This element of claim 9 is missing in Rudy, and the Examiner even admits that the claimed feature is missing from Newell, Kanoh, Harman, and Smith. (Office Action, p. 12, fourth paragraph). Accordingly, the Section 103 rejection of claim 9 should be reversed for at least these reasons as well.

Claims 10 and 11 depend from claim 9, and thus should be allowable over the cited combination for the same reasons. Reversal by the Board of this Section 103 rejection of claims 9-11 is therefore also respectfully requested.

IV. THE REJECTION OF CLAIM 13 UNDER 35 U.S.C. 103(a) BASED UPON NEWELL, KANOH, HARMAN, MALONEY, AND SMITH SHOULD BE REVERSED.

Claim 13 currently stands rejected under 35 U.S.C. 103(a) as being unpatentable over the Newell/Kanoh/Harman/Koenck/Smith combination, and further in view of Maloney. As noted above, Newell, Kanoh, Harman, Koenck, and Smith do not establish a *prima facie* case of obviousness over claim 1, from which claim 13 depends.

Adding Maloney to the proposed combination does not remedy the clear deficiencies of the base references taken separately. For example, Maloney similarly fails to teach or suggest kiosk management through the Internet, as opposed to mere credit card authorizations

from a bank. Furthermore, Maloney cannot and does not refute the ample rebuttal evidence (evidence of commercial success, copying by others, indication of novelty by one of skill in the art, and scepticism of experts) provided in the Rule 132 Declaration and Exhibits, and in Appellants' response of October 31, 2007. All of these papers are provided in the attached Evidence Appendix.

For at least these additional reasons, *prima facie* obviousness has not been established with respect to claim 13. Appellants therefore respectfully request that the Board also reverse this Section 103 rejection.

V. THE REJECTION OF CLAIMS 14-17 BASED ON NEWELL, KANOH, HARMAN, MALONEY, OGASAWARA, AND SMITH SHOULD BE REVERSED.

Claims 14-17 stand rejected under 35 U.S.C. 103(a), based upon Newell, Kanoh, Harman, Maloney, Smith, and Ogasawara. However, as discussed above, the combination of Newell, Kanoh, Harman, Maloney, and Smith does not establish a *prima facie* case of obviousness over claim 1, or by extension, over claim 13. ***Claims 14-17*** depend from claim 1, via claim 13, and therefore also cannot be rendered obvious by the Newell/Kanoh/Harman/Maloney/Smith combination.

Adding Ogasawara to the base combination of references does not resolve the clear deficiencies of Newell, Kanoh, Harman, Maloney, and Smith taken separately. For example, Ogasawara is itself also silent with regard to any management of kiosks by a central server through the Internet, and Ogasawara cannot and does not contradict – or even relate to – any of the extensive rebuttal evidence (secondary considerations of non-obviousness) provided in the attached Evidence Appendix. Accordingly, claims 14-17 should also be allowable over Newell, Kanoh, Harman, Maloney, Smith and Ogasawara for at least these additional reasons.

Moreover, with regard to ***claim 17*** specifically, this claim features the transmission of images to the central server which, per claim 1, is coupled to kiosks via the Internet. These features are simply not taught by Newell, Kanoh, Harman, Maloney, Smith, or Ogasawara, whether taken alone or in combination. Reversal by this Board of the Section 103 rejection of claims 14-17 is also requested.

VI. THE REJECTION OF CLAIMS 20-21, 24-25, 27, AND 67-68 BASED ON NEWELL, KANOH, HARMAN, TOMITA, AND SMITH SHOULD BE REVERSED.

In this rejection, the Examiner correctly notes that Newell, Kanoh, Harman, and Smith are all silent with respect to communicating advertising information from a server to a third kiosk, and communicating the advertising information to users at the third kiosk. See Office Action page 18, first full paragraph. Tomita alone is relied upon as allegedly teaching such claim features. However, per claims 1 and 63, from which these rejected claims depend, the server is connected to and manages the kiosks through the Internet, and Tomita is similarly silent as to any kiosk management through the Internet. Therefore, the combination of Tomita with Newell, Kanoh, Harman, and Smith fails to establish a *prima facie* case of obviousness over ***claims 20 and 67***, which include such a server, and also over ***claim 21***, which depends from claim 20.

Moreover, with respect to ***claims 24, 25 and 68***, these claims additionally feature profiling a user transaction at a kiosk and communicating advertising information <u>based on the profiling of user transactions</u>. The Examiner erroneously asserts that such features are taught by Tomita. Tomita teaches the *accumulation of points* when transactions occur. The issuer provides point information to the point accumulator and the point accumulator accumulates the points and transfers the updated point information to the point notifier which notifies the customer terminals and ultimately the customers. See col. 5, lines 41-47. The purchase data is compared to the purchase condition table to determine if points are calculated and transferred to the points accumulator for a transaction.

Tomita, however, fails to teach that the transaction data is stored in a customer profile, or is otherwise used for communicating advertising information that is based on the transaction data. See col. 8, lines 43-52. Instead, Tomita simply adds transaction points to total points. No particular information is stored about a transaction itself. Therefore, it is not possible to communicate <u>transaction-based advertising information</u> at the kiosk. Even if the Examiner considers "points information" of a transaction to be equivalent to profiling a user transaction as claimed (Appellants submit that they are <u>not</u> the same), Tomita still does not communicate <u>advertising information</u> at the kiosk based on such "profiling" of that user transactions.

It is important to note that Tomita's step S8 displays point service information which can include special days particular to the customer, such as a birthday, wedding anniversary. This information is particular to a customer, but it is clearly not part of a <u>transaction profile</u>,

as erroneously asserted by the Examiner, and therefore the information cannot be information based on the profiling of user transactions. See Tomita col. 6 lines 26-32.

Appellants presented the above arguments in the Response of October 31, 2007. In response, the Examiner merely referred back to the Office Action mailed on May 3, 2007. The "Response to Arguments" section of that paper simply points to the same col. 5, lines 14-61, col. 6, lines 26-32, col. 8, lines 31-52 and col. 6. lines 19-25, and states that "Tomita accrues points based on of [*sic*] transactions performed by the customer and then presents target points (e.g. which refer to special services) to the customer. These services include special sales, etc.... The Examiner did provide a prima facie case of obviousness, motivation was cited, there is reasonable expectation of success, and the references teach or suggest all of the limitations of the claim. Thus the argument is not persuasive." Office Action of May 3, 2007, paragraph spanning pages 32-33. By simply referring to the earlier rejection, the argument still remains effectively unchallenged on the record, and this argument has not been rendered "moot" by the mere addition of Smith to the same combination.

Furthermore, the entire "motivation" referenced by the Examiner was that "One of ordinary skill in the art would have been motivated to combine the teachings in order to provide advertising information to a customer, which improves and attracts the customers' interest." Office Action of May 3, 2007, paragraph spanning pages 18-19; see also page 20, third paragraph. Accordingly, the asserted motivation explains a rationale only for *providing advertising*, but not any motivation for profiling user transactions. The references themselves do not teach or any such motivation for profiling user transactions, as argued above, because *Tomita simply does not profile transactions*. Tomita accumulates points, which is different from profiling a transaction as clearly defined in the present Application, where "the invention provides an automated customer profiling system. The system tracks interactions from customers at either a connected kiosk or at a computer connected to the database server through the Internet. Customers may be profiled according to individual information, such as movie-type preferences." Specification, p. 5, lines 1-34.

The Examiner's response of May 3, 2007 does not answer the substance of the previously submitted meritorious arguments above, as erroneously asserted. Appellants again submit that claims 20-21, 24-25, 27, and 67-68 are non-obvious in view of Newell, Kanoh, Harman, Smith, and Tomita, alone or together, in light of at least these arguments. Furthermore, the proposed combination does not establish a *prima facie* case of obviousness over base claims 1 and 63, nor does the combination refute the extensive volume of evidence

of nonobviousness that remains unchallenged on the record (included in the attached Evidence Appendix). Accordingly, reversal of the Section 103 rejection of claims 20-21, 24-25, 27, and 67-68 is also respectfully requested for at least these reasons.

VII. THE REJECTION OF CLAIM 30 BASED ON NEWELL, KANOH, HARMAN, CRAPO, AND SMITH SHOULD BE REVERSED.

Claim 30 stands rejected under 35 U.S.C. 103(a) as being unpatentable over Newell, Kanoh, Harman, and Smith, and further in view of Crapo. Appellants again respectfully traverse this rejection and request reversal by this Board.

Appellants previously noted on the record that Crapo fails to teach emailing discount coupons based upon "the inventory," as clearly featured in claim 30 (which, per dependence on claim 29, is the "inventory of each of the kiosks"). Crapo simply does not teach or suggest to email coupons based upon kiosk inventory. Instead, and as the Examiner even admits, Crapo discloses emailing coupons only *based upon partner inventory*: "For example, such communications may include last minute deals, offers of bonus miles, specials, sales or other incentives proved based on partner inventory or partner input on behavior the partners are interested in motivating." Crapo, p. 6, paragraph [0052].

The partner inventory to which Crapo refers is the inventory of credit card company partners, in particular, miles: "The partners 204 can be any individual or company that wants to generate loyalty and to do so offers WebMiles in conjunction with particular behaviors, most often purchasing behaviors, that the partner 204 wants to encourage." Crapo, p. 3, paragraph [0035]. *Partner* inventory (miles) simply is not the same as kiosk inventory, and the Examiner has not given any effective answer to this dispositive argument, namely, that the proposed combination fails to consider all of the recited claim limitations, as required. Thus, combining Newell, Kanoh, Harman, and Smith with Crapo still fails to teach emailing discount coupons based upon kiosk inventory.

In response to the above arguments, the Examiner has merely stated that Crapo teaches "emailing coupons through the internet based on inventory." Office Action p. 21, third full paragraph. However, claim 30 requires that coupons are emailed based upon kiosk inventory, and the Examiner has given no explanation at all how kiosk inventory is equivalent to the partner inventory cited, that is inventory of something outside of the kiosk network. As discussed above, the only "inventory" disclosed in Crapo are the miles of a credit card company. Miles are not a material inventory in the manner of the present

Application inventory, or more particularly the actual inventory of the kiosks featured in the claims. Optical recorded media are tangible, physical objects, whereas miles are simply intangible numbers or data information awarded by a credit card company. Accordingly, the Examiner has not answered in any way the traversal of this particular Section 103 rejection.

Additionally, Appellants have submitted ample evidence of nonobviousness, e.g., in the form of the Declaration of Jens Horstmann and accompanying Exhibits. Appellants again respectfully request the Board's full consideration of this rebuttal evidence. As discussed above, these secondary considerations from the Declaration remain entirely unchallenged on the record, and by themselves are more than sufficient to overcome even a proper *prima facie* case of obviousness.

Accordingly, this Board should reverse this rejection as well, for at least these reasons.

VIII. THE REJECTION OF CLAIMS 32-33 BASED ON NEWELL, KANOH, HARMAN, PETERS, AND SMITH SHOULD BE REVERSED.

As discussed above, the combination of Newell, Kanoh, Harman, and Smith fails to establish a *prima facie* case of obviousness over independent claim 1. The mere addition of Peters to this proposed combination does not remedy the clear deficiencies of the base references by themselves. For example, Peters is also silent as to any management of the kiosks through the Internet by the central server. Accordingly, Peters does not resolve the deficiencies of the asserted *prima facie* case of obviousness over claim 1, or by extension, over its dependent claims 32 and 33.

Peters fails to even describe or depict a central server. Instead, Peters discloses only vending machines communicating with a central customer service *location* via telephone communication, but with a "customer service <u>representative</u> [who] can service, monitor, and assist the customers by computer modem access from a remote monitoring site on a single phone with a single connection," Peters, col. 3, lines 5-10; see also lines 11-16; Fig. 1B, showing a vending machine communicating with a customer service representative over a telephone line. In other words, "The vending machine 30 and CSR 20 share information across telco line 48." Peters, col. 5, lines 32-24. A human being cannot read upon the central server of the present claims.

A customer service representative working on or referring to a non-server computer at a customer service location is very different from a central server. Accordingly, Peters fails

to teach sending information regarding alarm states to an administration associated with a central server, as recited in ***claim 32*** (and as inherited by ***claim 33***, due to its dependence from claim 32). The assertions to the contrary are therefore erroneous.

Furthermore, the Examiner cites Peters col. 2, lines 16-28 as allegedly providing the motivation to combine Peters with the other base references. However, the cited text from Peters merely states that there is a need for security, diagnostics, etc. "in a system including plural vending machines interconnected via telephone lines to a host/central location…." Peters, col. 2, lines 26-28. This portion of the reference does not provide any motivation to combine the references in the context of Appellants Internet-based methods for distributing optical recorded media, and therefore the standards of Section 2143.01, as reiterated in *KSR*, have not been met for this particular rejection either. The cited "security" needs have nothing to do with the claims against which this rejection is asserted.

In addition, Appellants have provided ample evidence of secondary considerations to rebut even a proper *prima facie* case of obviousness. Appellants once again request the Board's careful consideration of this evidence, included in the attached Evidence Appendix.

Given the above reasons, Appellants submit that the Section 103 rejection of claims 32 and 33 is itself further deficient and has been overcome as well. Reversal of the rejection by this Board is therefore respectfully requested.

IX. THE REJECTION OF CLAIMS 34 AND 38-40 BASED ON NEWELL, KANOH, HARMAN, DELAPA, AND SMITH SHOULD BE REVERSED.

This Section 103 rejection once again lists only claims 34 and 38-40 in the summary rejection, but goes on to substantively discuss claims 70 and 71, despite the fact that Appellants have repeatedly pointed out this error to the Examiner. Given that this simple issue has been given no consideration by the Examiner, Appellants are again forced to assume that no consideration has been given to Appellants' repeated substantive traversals of this rejection either. Nevertheless, and purely out of an abundance of caution, the merits of claims 70-71 are also argued herein.

Regarding the substance of this rejection, the Examiner correctly notes that Newell, Kanoh, Harman, and Smith do not generate automatic, individually targeted promotions at one or more kiosks. DeLapa alone is relied upon for somehow teaching this claimed feature. DeLapa, however, fails to read upon the present claims as asserted.

Appellants have previously and repeatedly pointed out to the Examiner that DeLapa specifically targets its coupons to *households*, which is different from targeting a promotion to an individual user. It is well-known in this field of art that different household members are likely to have significantly different tastes in movies, thus generating a household-targeted coupon to an individual does not insure that the coupon is appropriate for or acceptable to any particular individual within that household, for example. The Examiner provides no answer to this argument in the outstanding Office Action. The rejection merely repeats the previous rejection, except for the addition of Smith, but admits that Smith does teach or suggest the features that were specifically argued in traversal of the rejection. The failure to answer the substance of these arguments was thus further error.

Moreover, the asserted motivation for the proposed combination – "in order to develop promotional campaigns designed to encourage increased purchases among its frequent shoppers" (page 23 of Office Action, third full paragraph) – fails to address the issue of the combination itself. The expressed "motivation" is merely a stated goal entirely within the DeLapa framework, and there is no teaching or suggestion within DeLapa that its own internal goals should be or can be adapted to any of the other cited references, alone or in combination. By definition, every reference will indicate some motivation to employ *that particular reference*. The Examiner, however, was required to find a teaching or suggestion (or a well-known principle in the art) that would motivate one of ordinary skill to look beyond the teachings of that particular reference, and to combine it with the other cited references. In the present case, this requirement has not been met. The only evidence on the record to support the actual combination is thus the Examiner's own personal opinion, which is forbidden by *KSR*. The rejection is therefore deficient for at least these reasons.

.Additionally, the rejection is further deficient for failing to first give any meaningful consideration to the Declaration and Exhibits submitted as evidence of secondary considerations. Although this evidence mainly addresses the case on rebuttal, the Examiner was still required to first consider the evidence before asserting *prima facie* obviousness, which was not done. Appellants thus respectfully request consideration of this evidence of secondary considerations of nonobviousness (Rule 132 Declaration, Exhibits, and pages 17-20 and 24 of the October 31, 2007 Response).

For at least these reasons, reversal by this Board of the Section 103 rejection of claims 34, and 38-40 (and potentially 70-71) is warranted, and respectfully requested.

X. THE REJECTION OF CLAIMS 35-37 BASED ON NEWELL, KANOH, HARMAN, DELAPA, ROBERTS, AND SMITH SHOULD BE REVERSED.

Claims 35-37 stand rejected as being unpatentable over Newell in view of Kanoh, Harman, DeLapa, and Smith, and further in view of Roberts. Appellants again respectfully traverse this rejection. <u>As repeatedly pointed out on the record, Roberts is not even prior art to the present Application</u>. Roberts has an effective date of April 5, 2000, which is almost eleven months later than the filing date of U.S. Provisional Application No. 60/135,854 and almost nine months later than the filing date of U.S. Provisional Application No. 60/143,601. Both of these provisional applications are priority documents to the present Application. Hence, the present Application clearly antedates Roberts.

The mere addition of Smith to the previous rejection does not address the clear error in having cited Roberts in the first place. Nor does the addition of Smith to the same rejection excuse the failure to in any way even address this clear error on the Examiner's part.

The Section 103 rejection of claims 35-37 in view of Newell, Kanoh, Harman, DeLapa, Smith, and Roberts is therefore particularly deficient on its face for technical reasons alone, in addition to any and all of the substantive reasons argued above. The Examiner admits that Newell, Kanoh, Harman, Smith, and DeLapa alone do not teach all of the features of these claims. Because Roberts is not prior art to the present Application, a rejection under Section 103 cannot be established against these claims under any interpretation of the base references, by the Examiner's own admission.

Accordingly, Appellants respectfully request reversal by this Board of the specific rejection of claims 35-37 as well.

XI. THE REJECTION OF CLAIM 41 BASED ON NEWELL, KANOH, HARMAN, DEJAEGER, AND SMITH SHOULD BE REVERSED.

In this rejection, the Examiner admits that Newell, Kanoh, Harman, and Smith are silent with respect to administrating business data through a remote web interface. Dejaeger alone is relied upon for allegedly disclosing such claim features. However, not only does Dejaeger fail to teach or suggest such features, Dejaeger cannot and does not overcome the failure of the Newell/Kanoh/Harman/Smith combination to establish a *prima facie* case of obviousness over base claim 1, discussed above, from which claim 41 depends.

With respect to the rejection of the base claim 1, Dejaeger also fails to disclose or depict a kiosk managed by a server via the Internet. Dejaeger mentions the Internet only as a

way to communicate between a central computer 102 and a *customer-controlled* computer 114, which is clearly described as being quite different from a kiosk *featured in the same reference*. For example, Dejaeger's FIG. 1 shows interface 112 between central computer 102 and customer-controlled computer 114, but not between kiosks 104A – 104N and computer 102. In other words, Dejaeger shows both kiosks and customer-controlled computers, but clearly teaches that they are separate and distinct elements from one another. See also Dejaeger p. 2, paragraph [0012] and claims 6, 7, 15 and 16. Dejaeger is thus silent as to any Internet link between a kiosk and a server, or more particularly, management therethrough.

Furthermore, Dejaeger cannot and does not refute the ample evidence of secondary considerations of nonobviousness presented previously (and herein) as rebuttal evidence against the pending 35 U.S.C. 103 rejections. For at least these reasons as well, the combination of Newell, Kanoh, Harman and Dejaeger as a basis for a *prima facie* case of obviousness would still be overcome on rebuttal, with respect to claim 1, or by extension, to r dependent claim 41.

Turning specifically to ***claim 41***, and contrary to the Examiner's assertions, Dejaeger does not teach administering kiosk business data through a remote web-interface. Respectfully, Dejaeger describes no such step in any of the paragraphs cited by the Examiner in this regard, or elsewhere. Quite the contrary, cited paragraph [0014] of Dejaeger teaches interfacing only between a *customer-controlled computer 114* (which is different from kiosks 104A-104N, as described above, see also FIG. 1) and central computer 102. There is no mention of administering kiosk business data. Indeed, kiosks are clearly shown, but otherwise ignored altogether with respect to such communication. Communication is described solely between the remote computer and the central computer, and the subsequent return transaction does not involve the kiosk either, but instead only a human operator:

> "The remote computer 114 may suitably communicate with the central computer 102 through the use of standard software such as a web browser software package, which allows transfer of information via the Internet between the remote computer 114 and the central computer 102, or modem software, which allows direct transfer of information between the remote computer 114 and the central computer 102. The central computer 102 may suitably transmit a custom-designed standard data entry form with fields for customer and product information, desired time, date and location of the return, and reason for the return. The central computer then stores this information for later use, and also transmits it to a human operator through a terminal 106 or printer 108 as illustrated in FIG. 1." Dejaeger, p. 2 [0014]; see also FIG. 1.

At paragraph [0015], Dejaeger briefly discusses a communication between central computer 102 and a kiosk 104, but there is no mention of a web interface, or the Internet. And as noted above, Dejaeger does not elsewhere recite administering kiosk business data via a remote web interface.

Given these reasons, Appellants respectfully submit that the Board should reverse this rejection, in addition to all others presented in the January 8, 2008 Office Action.

CLAIMS APPENDIX

Appellants enclose a copy of the claims involved in this appeal as an appendix hereto, on pages C1-C7.

EVIDENCE APPENDIX

Pursuant revised 37 C.F.R. 41.37, an Evidence Appendix is submitted herewith, following the Claims Appendix. The Evidence Appendix includes a copy of the '132 Declaration of Jens Horstmann (6 pages) and accompanying Exhibits (192 pages) as filed August 27, 2007, along with a statement as to where these papers are entered in the record. The Evidence Appendix also includes a copy of the Response filed October 31, 2007 (25 pages), which discusses the '132 Declaration and Exhibits at pages 11-17, and which presents additional secondary considerations of nonobviousness, at pages 17-20 and 24. The Evidence Appendix begins on page E-1 and includes 223 attached pages.

RELATED PROCEEDINGS APPENDIX

Appellants submit herewith a Related Proceedings Appendix following the Evidence Appendix, as required pursuant revised 37 C.F.R. 41.37. The Related Proceedings Appendix is found on page R-1.

CONCLUSION

Appellants respectfully submit that the claims 1, 3-7, 9-21, 23-41, 63-68, and 70-71 are all patentably distinguishable over the cited prior art of record.

This Appeal Brief is timely filed within three (3) months of the mailing date of the non-final Office Action that reopened prosecution. Accordingly, the fees paid for the Notice of Appeal, filed April 8, 2008, and the Appeal Brief, filed June 9, 2008, apply to this submission. The Commissioner is hereby respectfully requested to charge to Deposit Account no. 12-0600 the combined $30.00 increase in Brief and Notice fees that were put into effect on October 2, 2008. The Commissioner is hereby further authorized to charge any additional fees which may be deemed necessary in this case, to make this paper both timely and complete, to Deposit Account no. 12-0600.

Respectfully submitted,

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CLAIMS APPENDIX TO APPEAL BRIEF

What is claimed is:

1. (Previously Presented) A method for distributing optical recorded media to and from users, comprising the steps of:

coupling one or more kiosks to a central server via the Internet, each of the kiosks containing a plurality of optical recorded media;

determining, at the server, inventory of the optical recorded media of each of the kiosks;

routinely obtaining, at the server, operational status of each of the kiosks;

automatically interfacing with a first user via a touch screen at a first kiosk in a first transaction for first local optical recorded media, the touch screen providing a touch-selectable listing of optical recorded media, including the first local optical recorded media, contained within the first kiosk, the first kiosk being one of the kiosks, the first user being one of the users;

automatically communicating between the first kiosk and the server to authorize the first transaction;

dispensing the first local optical media from the first kiosk to the first user if the first transaction is approved; and

accepting return of the first local optical media into rentable inventory of a second kiosk, the second kiosk being another one of the kiosks.

2. (Cancelled)

3. (Previously Presented) A method of claim 1, wherein the step of accepting return of the first optical media comprises the steps of capturing a digital image of a first code on the first optical media and scanning the image to determine a group identifier, the group identifier indicating which of the kiosks the first optical media may be returned to, and accepting the first optical media into rentable inventory of the second kiosk when the second kiosk is associated with the group identifier.

4. (Original) A method of claim 3, further comprising the steps of rotating the image, via internal software to the first kiosk, and rescanning the first code to determine the group identifier.

5. (Original) A method of claim 3, wherein the step of capturing a digital image comprises capturing a second code on the first optical media and scanning the image to determine a disk identifier, the disk identifier uniquely identifying the first optical media, and reporting inventory of the first optical media to the central server if the first optical media is accepted at the second kiosk.

6. (Original) A method of claim 5, further comprising the steps of rotating the image, via internal software to the first kiosk, and rescanning the second code to determine the disk identifier.

7. (Original) A method of claim 3, wherein one or both of the first code and second code comprise a bar code.

8. (Cancelled)

9. (Previously Presented) A method of claim 3, wherein the step of accepting return of the first optical media into rentable inventory of the second kiosk comprises the steps of sensing characteristics of a case housing the first optical media, determining if the characteristics match predetermined characteristics associated with the second kiosk, and opening a door to an input/output slot of the second kiosk to accept the case and optical media when the characteristics match the predetermined characteristics.

10. (Original) A method of claim 9, wherein the predetermined characteristics are defined by physical structure of the case.

11. (Original) A method of claim 10, wherein the physical structure forms one or more holes and one or more blocked regions in the case, and wherein the step of sensing characteristics comprises sensing the holes and blocked regions.

12. (Previously Presented) A method of claim 1, determining inventory at the server comprising tracking inventory movement of the first optical media between the first kiosk and the second kiosk.

13. (Original) A method of claim 1, further comprising the steps of obtaining and storing one or more images through an image capturing device located within, or in proximity to, the first kiosk.

14. (Original) A method of claim 13, wherein the step of obtaining comprises the step of imaging a person proximal to the first kiosk.

15. (Original) A method of claim 13, wherein the step of obtaining comprises the step of imaging a person interacting with the first kiosk.

16. (Original) A method of claim 13, wherein the step of obtaining comprises the step of imaging a person conducting a user identification or credit card input at the first kiosk.

17. (Original) A method of claim 13, further comprising the step of transmitting the images to the central server.

18. (Previously Presented) A method of claim 1, further comprising the steps of:

automatically interfacing with a second user at a second kiosk in a second transaction for second local optical recorded media, the second local optical media contained within the second kiosk, the second kiosk being one of the kiosks and not the first kiosk, the second user being one of the users;

automatically communicating between the second kiosk and the server to authorize the second transaction; and

dispensing the second local optical media to the second user, at the second kiosk, if the second transaction is approved.

19. (Original) A method of claim 18, further comprising the step of managing the first and second kiosks from the central server.

20. (Original) A method of claim 18, further comprising the steps of communicating advertising information from the server to a third kiosk, the third kiosk being one of the kiosks, and communicating the advertising information to users at the third kiosk.

21. (Original) A method of claim 20, wherein the step of communicating the advertising information comprises one of (a) displaying the information on a screen at the third kiosk and (b) audibly communicating the information to the users through speakers at the third kiosk.

22. (Cancelled)

23. (Original) A method of claim 1, further comprising the step of backing up at least part of information stored in the central server within internal memory within the first kiosk.

24. (Previously Presented) A method of claim 1, further comprising the steps of profiling user transactions at the second kiosk and communicating advertising information at the second kiosk based on the profiling of user transactions.

25. (Previously Presented) A method of claim 1, further comprising the steps of profiling user transactions at the first kiosk and communicating advertising information at the first kiosk based on the profiling of user transactions.

26. (Original) A method of claim 1, further comprising the step of managing a group of kiosks through the central server via a personal computer connected to the Internet, the group of kiosks being a subset of all the kiosks.

27. (Previously Presented) A method of claim 26, wherein the step of managing the group of kiosks comprises managing advertising information communicated to users at any of the kiosks within the group of kiosks.

28. (Original) A method of claim 26, further comprising determining inventory at any of the kiosks within the group of kiosks.

29. (Previously Presented) A method of claim 1, the step of determining comprising determining inventory of each of the kiosks via Internet access through the central server.

30. (Original) A method of claim 29, further comprising the step of emailing discount coupons to the first user through the Internet and based on the inventory.

31. (Previously Presented) A method of claim 1, the step of routinely obtaining comprising identifying one or more alarm states associated with the first kiosk.

32. (Original) A method of claim 31, further comprising the steps of automatically identifying the alarm states and automatically sending information about the alarm states to an administration associated with the central server.

33. (Previously Presented) A method of claim 32, further comprising the step of communicating one or both of voice and text messages to the administration as a message communicated by one or more of email and a mobile phone, pager or other wireless device.

34. (Previously Presented) A method of claim 1, further comprising the step of generating automatic, individually-targeted promotions at one or more of the kiosks.

35. (Previously Presented) A method of claim 34, wherein the step of generating automatic, individually-targeted promotions comprises the step of processing unique promotion codes.

36. (Previously Presented) A method of claim, 35, wherein the step of processing unique promotion codes comprises the step of obtaining the promotion codes from the touch screen at the first kiosk.

37. (Original) A method of claim 35, wherein the step of processing unique promotion codes comprises the step of obtaining the promotion codes from a magnetic card swipe through a reader at the first kiosk.

38. (Previously Presented) A method of claim 1, further comprising the step of distributing an individually-targeted coupon to one or more users of the system.

39. (Previously Presented) A method of claim 38, wherein the step of distributing an individually-targeted_coupon further comprises the step of distributing a coupon to a user of the first kiosk.

40. (Previously Presented) A method of claim 39, wherein the step of distributing an individually-targeted coupon to a user comprises the step of distributing a coupon activated by a transaction at the first kiosk.

41. (Original) A method of claim 1, further comprising the step of administering kiosk business data through a remote web-interface.

42-62. (Cancelled)

63. (Previously Presented) A method for distributing optical recorded media to and from users, comprising the steps of:

coupling a plurality of kiosks to a central server via the Internet, each of the kiosks configured to dispense a plurality of optical recorded media;

determining, at the server, inventory of the optical recorded media of each of the kiosks;

routinely obtaining, at the server, operational status of each of the kiosks;

automatically interfacing with a first user via a touch screen at a first kiosk in a first transaction for first local optical recorded media, the touch screen providing a touch-selectable listing of optical recorded media, including the first local optical recorded media, contained within the first kiosk, the first kiosk being one of the kiosks, the first user being one of the users;

automatically communicating between the first kiosk and the server to authorize the first transaction;

dispensing the first local optical media to the first user if the first transaction is approved; and

accepting return of the first local optical media into rentable inventory of a second kiosk, the second kiosk being one of the kiosks.

64. (Previously Presented) A method of claim 63, wherein the step of accepting the first optical media into rentable inventory of the second kiosk comprises the steps of capturing a digital image of the first optical media.

65. (Original) A method of claim 64, further comprising the step of electronically scanning the image to decode one or more bar codes on the first optical media to determine an identifier of the first optical media.

66. (Previously Presented) A method of claim 63, determining inventory at the server comprising tracking inventory movement of the first optical media between the first kiosk and the second kiosk.

67. (Previously Presented) A method of claim 63, further comprising communicating advertising information from the server to any of the plurality of kiosks, to communicate advertising information to the users.

68. (Original) A method of claim 63, further comprising the steps of profiling user transactions at one of the kiosks and communicating advertising information to the kiosk based on the profiling.

69. (Cancelled)

70. (Previously Presented) A method of claim 63, further comprising the step of generating automatic, individually-targeted promotions at one or more of the kiosks.

71. (Original) A method of claim 63, further comprising the step of distributing a coupon to a user.

72-73. (Cancelled)

EVIDENCE APPENDIX TO APPEAL BRIEF

Pursuant to 37 C.F.R. 41.37 (c)(1)(ix), this Evidence Appendix includes a copy of the 37 C.F.R. §1.132 Declaration of Jens Horstmann (6 pages) and accompanying Exhibits (192 pages), along with a copy of the Response filed October 31, 2007 (25 pages). The '132 Declaration and Exhibits were entered in the record on October 31, 2007, and are viewable in the PAIR system as "Rule 130, 131 or 132 Affidavits" under the Image File Wrapper for the '631 Application. The Response of October 31, 2007 was entered into the record on October 31, 2007, and is viewable in the PAIR system as "Amendment Submitted/Entered with Filing of CPA/RCE," "Claims" and "Applicant Arguments/Remarks Made in an Amendment."

ATTACHMENTS: 223 PAGES

RELATED PROCEEDINGS APPENDIX TO APPEAL BRIEF

An appeal brief was filed April 18, 2008 in related U.S. Application Serial No. 09/578,631, which is a parent of the present Application. A Notice of Non-Compliant Appeal Brief was mailed April 25, 2008, to which a Reply, including a replacement "Status of the Claims" section was filed on May 22, 2008. A Notice of Allowance was issued on August 8, 2008 (without any intervening Examiner's Answer), and U.S. Serial No. 09/578,631 issued as U.S. Patent No. 7,444,296 on October 28, 2008. Some of the same issues appealed above were appealed in the parent case. Appellants are unaware of any other related proceedings as identified in 37 C.F.R. 41.37, subsections (c)(1)(ii) or (c)(1)(x).